

John Williams'
Shadow Government Statistics
Analysis Behind and Beyond Government Economic Reporting

ADVANCE COMMENTARY NUMBER 902-A
First-Estimate Second-Quarter GDP, 2017 Annual Benchmark Revisions

July 28, 2017

Nonsense GDP Reporting Intensified

**“Advance” Estimate of Second-Quarter 2017 Real GDP
Came in at a Near-Consensus 2.57% versus a
Downwardly-Revised 1.24% First-Quarter Estimate**

**Annual Benchmark Revisions Were Minimal in Aggregate,
Showing Weaker GDP Growth in 2016 and
Somewhat Stronger Growth in 2014 into 2015**

**Gross Domestic Income (GDI) and Gross National Product (GNP)
Growth Rates Also Slowed in 2016 Revisions**

ERRATA – As plotted originally, the labels for the lines in Graph 6, on page 7, were reversed from what they should have been. The legend for that graph has been corrected here.

PLEASE NOTE: The next regular Commentary, scheduled for Monday, July 31st, will cover today's initial reporting of Second-Quarter 2017 Gross Domestic Product and the accompanying annual benchmark revisions to GDP, Gross Domestic Income (GDI) and Gross National Product (GNP), in greater depth than the summary detail and highlights provided in today's Advance Commentary.

Best wishes to all — John Williams (707) 763-5786

SECOND-QUARTER 2017 GROSS DOMESTIC PRODUCT AND ANNUAL GDP BENCHMARK REVISIONS

Contrary to Indications from Benchmark Revisions to Related Series, the Level of GDP Activity Revised Higher Since 2014, With a Slower Pace of Growth from 2016 to the Present. Contrary to my predictions, the 2017 benchmark GDP revisions, from first-quarter 2014 through first-quarter 2017, showed stronger growth than previously reported growth in 2014 and 2015, with growth slowing in 2016. (The benchmarking was previewed in the context of recent benchmark revisions to various economic series related to the Gross Domestic Product in [Commentary No. 900](#).)

Coincident with the benchmark revisions released this morning by the Bureau of Economic Analysis (BEA), the BEA also published its first estimate of second-quarter 2017 GDP, showing headline annualized quarter-to-quarter real growth of 2.57% (effectively at the level of consensus expectations), with year-to-year growth of 2.00%. That was against downwardly-revised quarterly and annual real growth rates in first-quarter 2017 respectively of 1.24% (previously 1.42%) and 2.00% (previously 2.10%).

Consider that in aggregate, the headline real GDP in first-quarter 2017, pre-benchmarking, stood 12.55% above its pre-recession high of fourth-quarter 2007. Post-benchmarking, first-quarter 2017 GDP stood at 12.75% above its pre-recession high, a negligible revision, in aggregate. As of second-quarter 2017, headline GDP was 13.48% above its pre-recession peak, moving contrary, again, to the reporting of most of the better-quality economic series. Revisions to the GDP Implicit Price Deflator (inflation) were nil.

There is a great deal of new information and historical data to be absorbed and analyzed, and a full analysis of both the latest headline reporting and benchmark revisions will follow in *Commentary No. 902-B*, scheduled for Monday, July 31st.

Benchmark Revisions in Graphic Form. Beginning on page 4 are three sets of graphs, showing the benchmarked-revised levels of real activity, annual real growth rates and quarterly real growth rates for Gross Domestic Product (GDP), Gross Domestic Income (GDI) and Gross National Product (GNP) versus the prior, headline details (again, first-quarter 2014 was the first quarter of the revisions).

GDI is the theoretical income-side equivalent to the consumption-side GDP estimate. The GDP and GDI are made to equal each other, every quarter, with the addition of a “statistical discrepancy” to the GDI-side of the equation. That said, the GDI reporting and revisions have little relationship to the GDP.

GNP remains the broadest measure of U.S. economic activity, where GDP is GNP net of trade flows in factor income (interest and dividend payments). As a reporting gimmick aimed at boosting the headline

reporting of economic growth for net-debtor nations such as the United States, international reporting standards were shifted some decades back to reporting headline GDP instead of what had become a relatively weaker GNP.

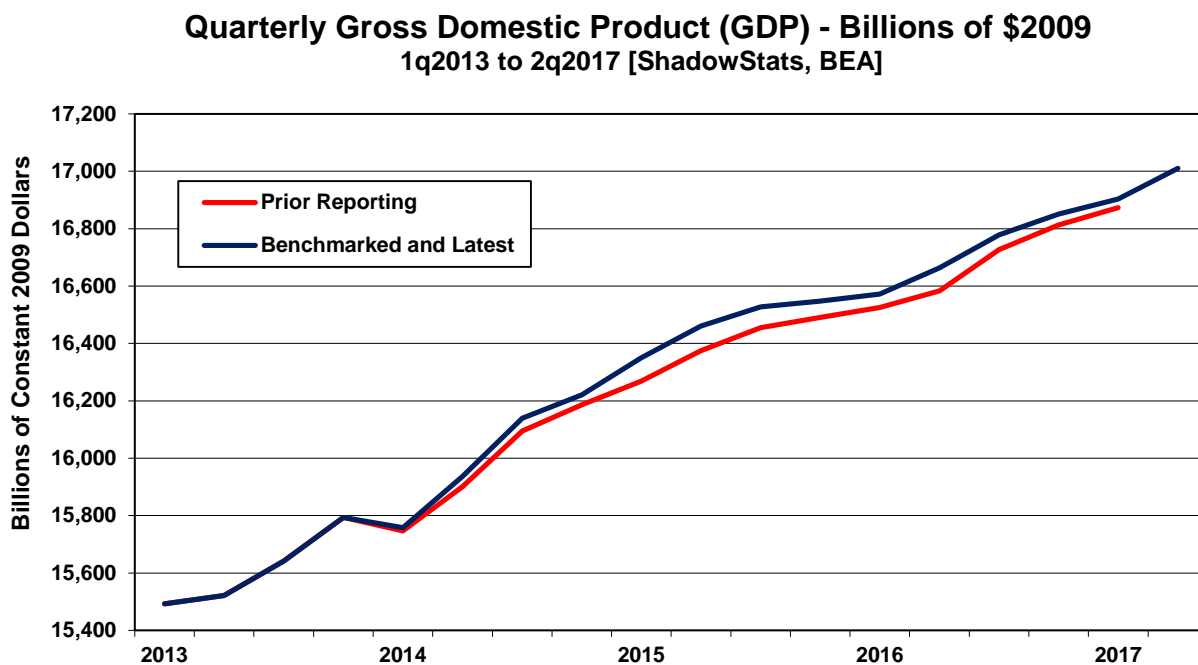
The next “comprehensive” benchmark revision to the GDP will be the next benchmarking in July 2018, which will revise the data back to 1929.

ShadowStats Position on Underlying Economic Reality. My contentions as to the regular and deliberate understatement of headline GDP reporting are not affected by these revisions, and will be reviewed along with the benchmarking detail to be published in Monday’s subsequent *Commentary* (see the third estimate of first-quarter 2017 GDP in [Commentary No. 896](#) for further background).

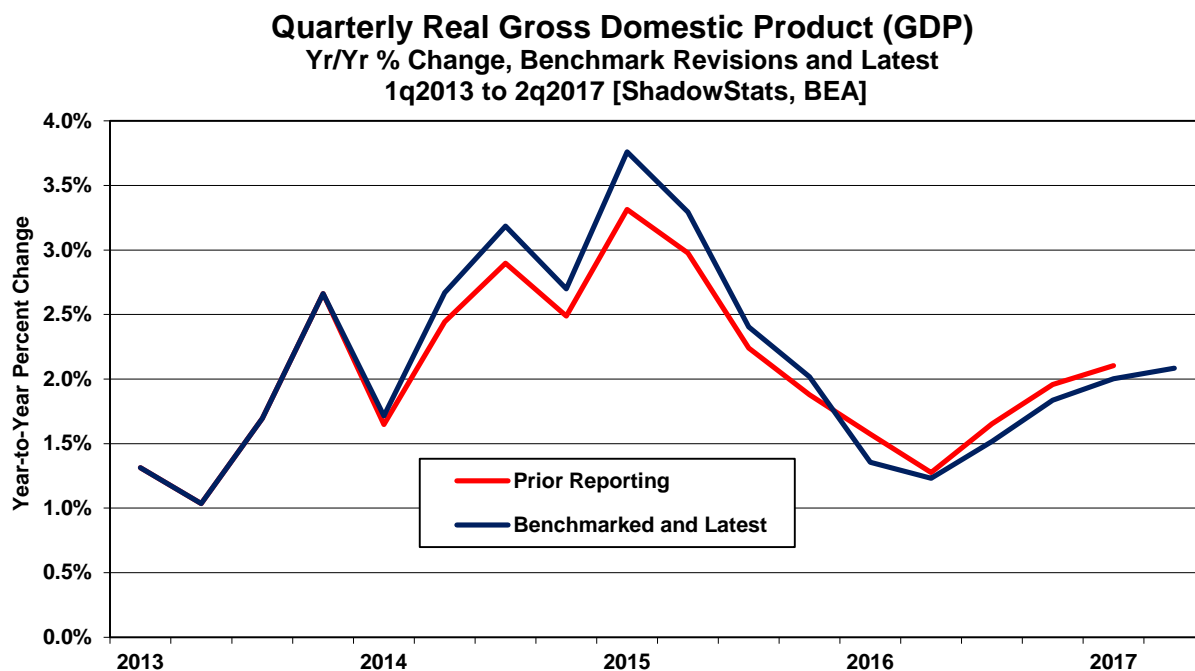
The GDP (or the broader GNP detail headlined in earlier decades) simply remains the most worthless of the popular government economic series, in terms of determining what really is happening to U.S. business activity. The series is the most-heavily-modeled, politically-massaged and gimmicked government indicator of the economy. It has been so since at least the 1960s, and that reporting quality deteriorated anew, sharply in 2016 benchmarking (see the *Opening Comments* of [Commentary No. 823](#)). That reporting quality did not improve with the headline 2017 benchmarking published today.

[Graphs of the benchmarking detail begin on the next page.]

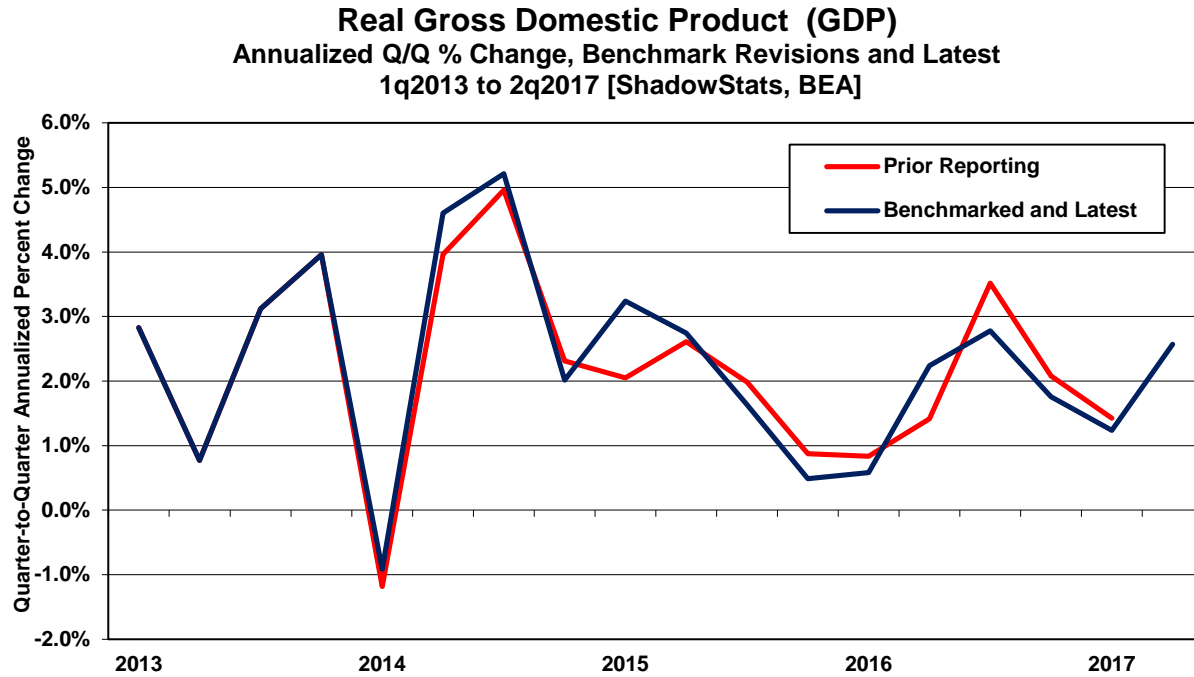
Graph 1: 2017 Benchmarked GDP – Inflation-Adjusted Real Level of Activity



Graph 2: 2017 Benchmarked GDP – Real Year-to-Year Change

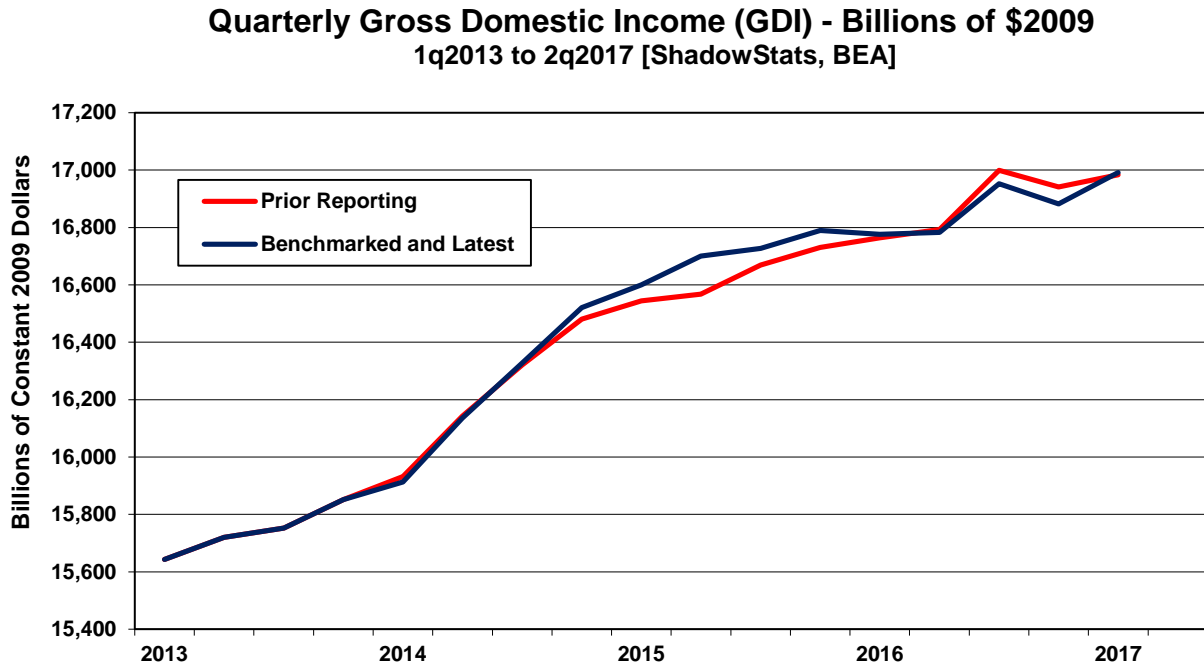


Graph 3: 2017 Benchmarked GDP – Real Annualized Quarter-to-Quarter Change

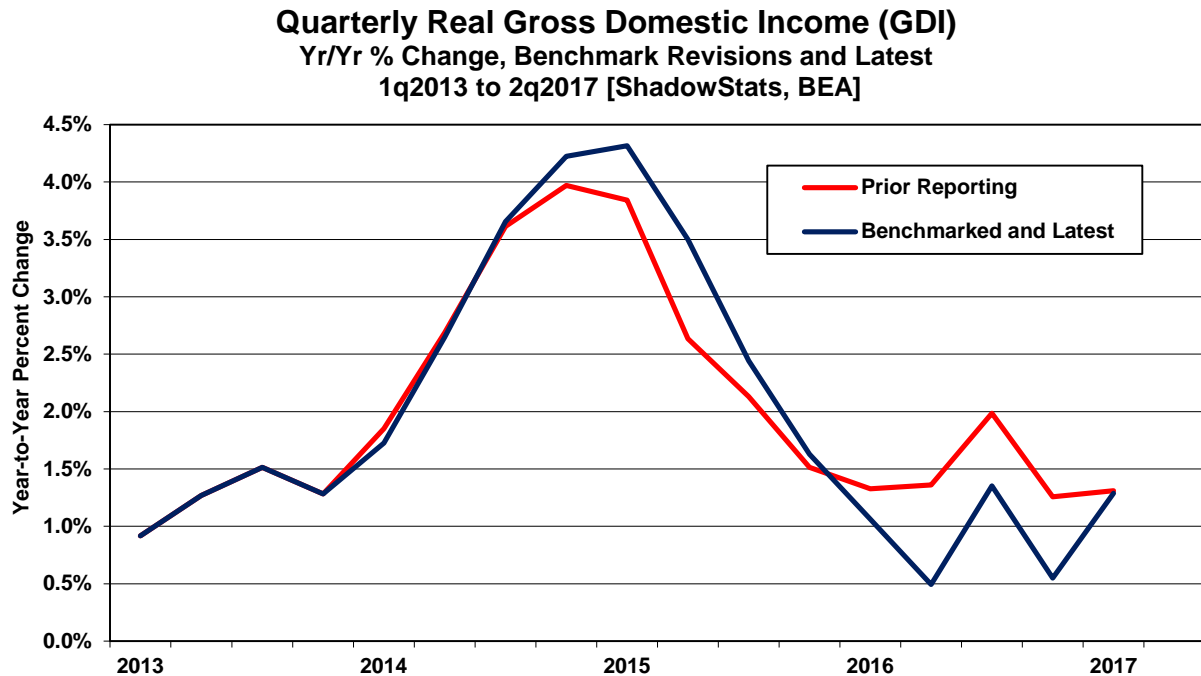


[GDI Graphs 4 to 6 begin on the next page.]

Graph 4: 2017 Benchmarked GDI – Inflation-Adjusted Real Level of Activity

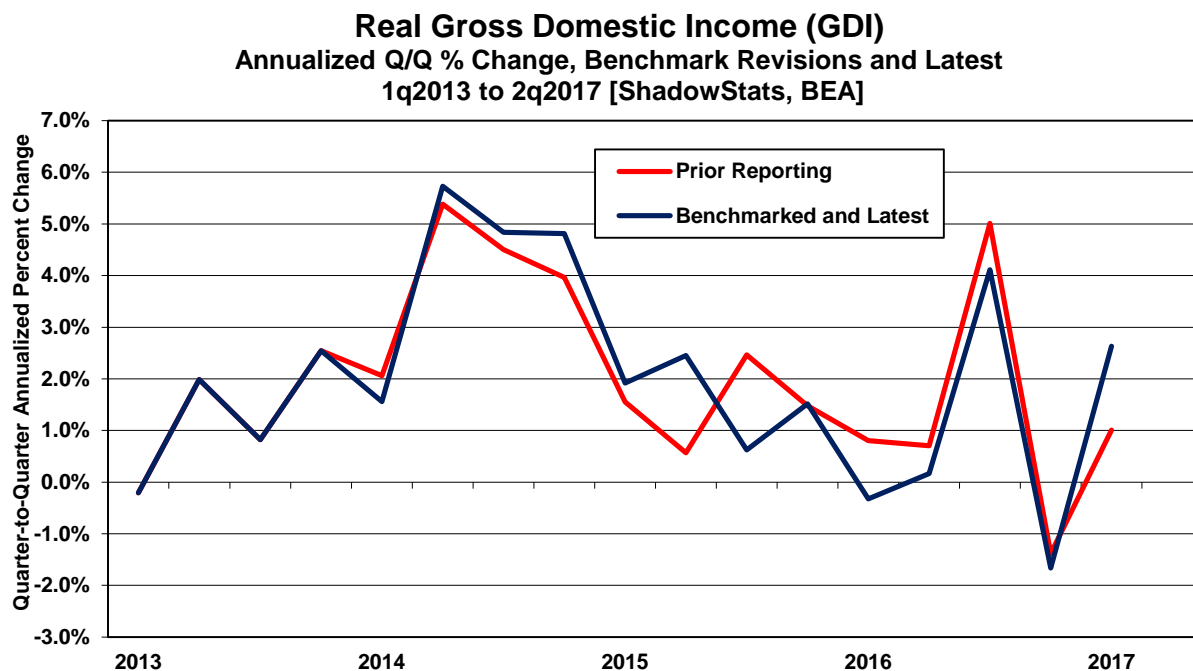


Graph 5: 2017 Benchmarked GDI – Real Year-to-Year Change



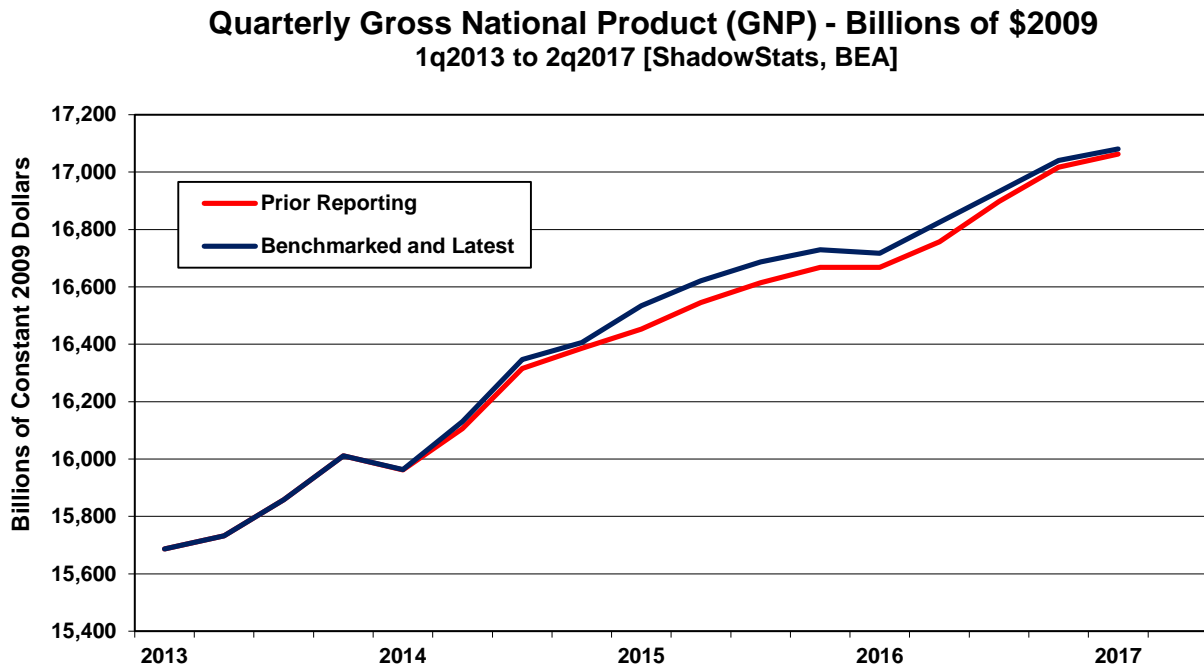
ERRATA – As plotted originally, the labels for the lines in Graph 6 were reversed from what they should have been. The legend here is correct.

Graph 6: 2017 Benchmarked GDI – Real Annualized Quarter-to-Quarter Change

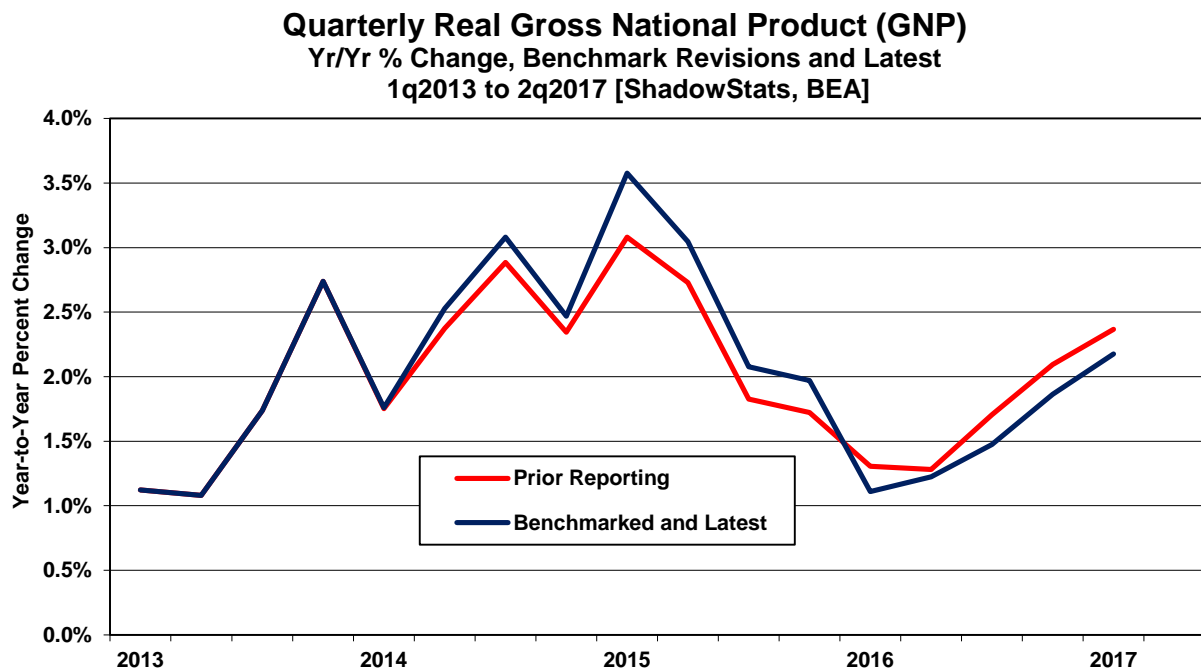


[GNP Graphs 7 to 9 begin on the next page.]

Graph 7: 2017 Benchmarked GNP – Inflation-Adjusted Real Level of Activity



Graph 8: 2017 Benchmarked GNP – Real Year-to-Year Change



Graph 9: 2017 Benchmarked GNP— Real Annualized Quarter-to-Quarter Change

